



**Community Reinvestment Act
Strategic Plan
2022 – 2024**

Introduction

The Community Reinvestment Act (“CRA”) regulations provide that a financial institution may elect to have its CRA performance evaluated under the strategic plan option. The strategic plan option enables the institution to tailor its CRA goals and objectives to address the needs of its community consistent with its business strategy, operational focus, and capacity and constraints. University Bank (“UB” or the “Bank”) has elected to establish a strategic plan with a 3-year term, effective January 1, 2022, and will have its CRA performance evaluated under this plan. It is the belief of the Bank that the plan will provide an accurate indication of the Bank’s success in meeting the credit needs of its assessment areas. The use of a strategic plan will permit the Bank to emphasize community development lending, investments, and services necessary to meet the credit needs of its assessment areas, while providing an evaluation method that measures the Bank’s success in these areas without being negatively skewed by the Bank’s nationwide mortgage lending program and related nationwide or regional business activities that exceed the scope of activities normally contemplated in the CRA.

Purpose of the Community Reinvestment Act

The CRA is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations. It was enacted by the Congress in 1977 (12 U.S.C. 2901) and is implemented by Regulation BB (12 CFR 228). The regulation was substantially revised in May 1995 and updated again in August 2005.

The CRA requires that each depository institution's record in helping meet the credit needs of its entire community be evaluated by the appropriate Federal financial supervisory agency periodically. Members of the public may submit comments on a bank's performance. Comments will be taken into consideration during the next CRA examination. A bank's CRA performance record is taken into account in considering an institution's application for deposit facilities.

Intended Use of the Strategic Plan

This Strategic Plan outlines the means by which University Bank will achieve compliance with the requirements of the CRA via a combination of targeted lending, investment, donation, and service hour activity commensurate with the Bank’s share of local deposits within its defined assessment area of Washtenaw County, Michigan. The Plan will provide a brief analysis of the market environment and competitive factors within the assessment area, the Bank’s core business operations, and the Bank’s plans and goals for demonstrating comprehensive compliance with the CRA.

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Institution Background & Profile

Bank Profile

University Bank (UB) is a community bank headquartered in Ann Arbor, Michigan, and wholly-owned by University Bancorp, Inc., a one-bank holding company also located in Ann Arbor, Michigan. The bank operates in Washtenaw County in southeastern Michigan. UB received a Satisfactory rating at its previous CRA Performance Evaluation dated June 21, 2021.

One full-service branch operates within the main office, in an upper-income census tract. UB opened a Loan Production Office (LPO) in 2021 in a middle-income census tract in Ypsilanti, Michigan. UB offers various deposit products and mortgage, commercial, and consumer loans.

Bank Operations

University Bank principally operates from its main facility in Ann Arbor, Michigan located at 2015 Washtenaw Avenue and the Ypsilanti LPO located at 301 W. Michigan Avenue. In addition, the Bank maintains two non-deposit taking administrative facilities: 2755 Carpenter Road, Ann Arbor, MI and 29777 Telegraph Road, Southfield, MI. These administrative facilities house staff engaged in shared backroom services for the Bank and its divisions and operating subsidiaries. These shared services include Human Resources, Deposit Operations and Compliance, Accounting and Finance, as well as Secondary and Capital Markets.

Principal lines of business for University Bank involve traditional lending activities, principally focused on residential lending within the Bank's market area, as evidenced by the concentration of 1-4 Family residential real estate loans in the bank's portfolio (totaling 76.3% of the loan portfolio as of December 31, 2020). As noted, in addition to in-house residential lending activities, University Bank also owns a controlling interest in subsidiary entities engaged in robust mortgage origination activities, which are principally focused on origination of mortgages eligible for sale on the secondary mortgage market. These subsidiary entities include University Lending Group and UIF Corporation, which are both characterized as affiliates for CRA purposes, as further detailed below. Finally, the bank also lends in other areas, such as commercial real estate (15.1% of the loan portfolio); however, these activities are secondary lines of business in contrast to the bank's residential real estate lending activities.

The following UB subsidiaries engage in significant lending activity.

The Bank's Midwest Loan Services, a subsidiary of UB until 2016, is now a division of the bank and provides loan servicing and subservicing for financial institutions across the county. This division is a provider of mortgage sub-servicing to over 390 clients, mainly comprised of credit unions, and some banks and mortgage companies. Over 50 percent of the credit unions that the company serves are designated as low-income credit unions. To qualify as a low-income credit union, a majority of the credit union's membership (50.01 percent) must meet certain low-income thresholds, based on data from the Census Bureau and requirements outlined in the NCUA's Rules and Regulations.

Additionally, the Bank has two subsidiaries, University Lending Group, LLC (ULG) and UIF Corporation (UIF) which are primarily engaged in originating home mortgage loans. ULG is

primarily a conventional retail lender and originates loans under most government supported programs such as FHA, VA, RD and other State bond programs that support first home buyers and others. UIF provides non-traditional faith-based home financing products to clients with religious beliefs that prohibit them from engaging in “interest-based” lending programs. University’s subsidiaries have a combined 24 Loan Production Offices (LPOs) located in 10 States which include Michigan, Florida, New Jersey, Illinois, Virginia, Texas, Washington, California, and Tennessee.

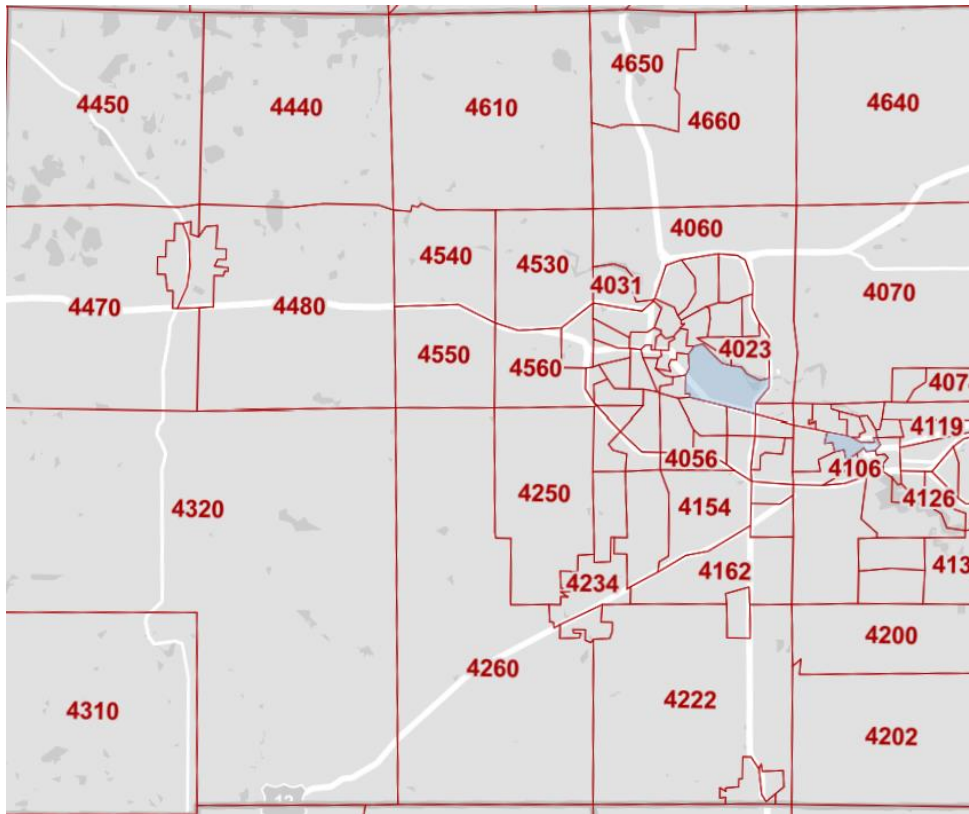
In general, and as further reflected in this self-assessment, the community bank business unit comprises a relatively small subset of the operations of University Bank. This department includes approximately 23 full- and part-time staff, contributes less than three percent (3.0%) of the Bank’s deposits by dollar volume, and less than twenty (20%) percent of the loan portfolio by dollar volume.

Branch & ATM Network

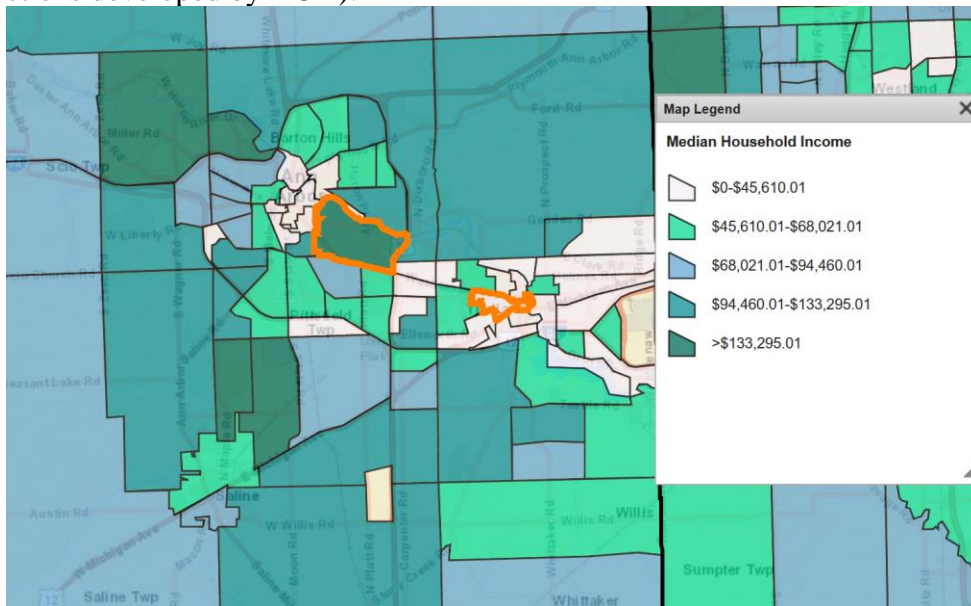
The present structure of the Bank’s branch network is detailed in the matrix below (information provided as of December 31, 2020)

Branch / ATM	Location	County	Branch CT Income Level
Full Service Branch Locations			
Ann Arbor	2015 Washtenaw Avenue Ann Arbor, Michigan 48104	Washtenaw	Upper
Other Locations			
Ypsilanti LPO	301 Michigan Avenue Ypsilanti, Michigan 48197	Washtenaw	Middle
Automated Teller Machines			
Bear Claw (Depository ATM)	2460 Washtenaw Avenue Ann Arbor, MI 48104	Washtenaw	Upper
Pot Belly	300 S State Street Ann Arbor, MI 48104	Washtenaw	Unknown
Ypsilanti (Depository ATM)	301 Michigan Avenue Ypsilanti, Michigan 48197	Washtenaw	Middle

A map of the assessment area of Washtenaw County, which is also the sole county in the Ann Arbor Metropolitan Statistical Area (MSA), is detailed below (census tracts with a branch location or LPO are highlighted):

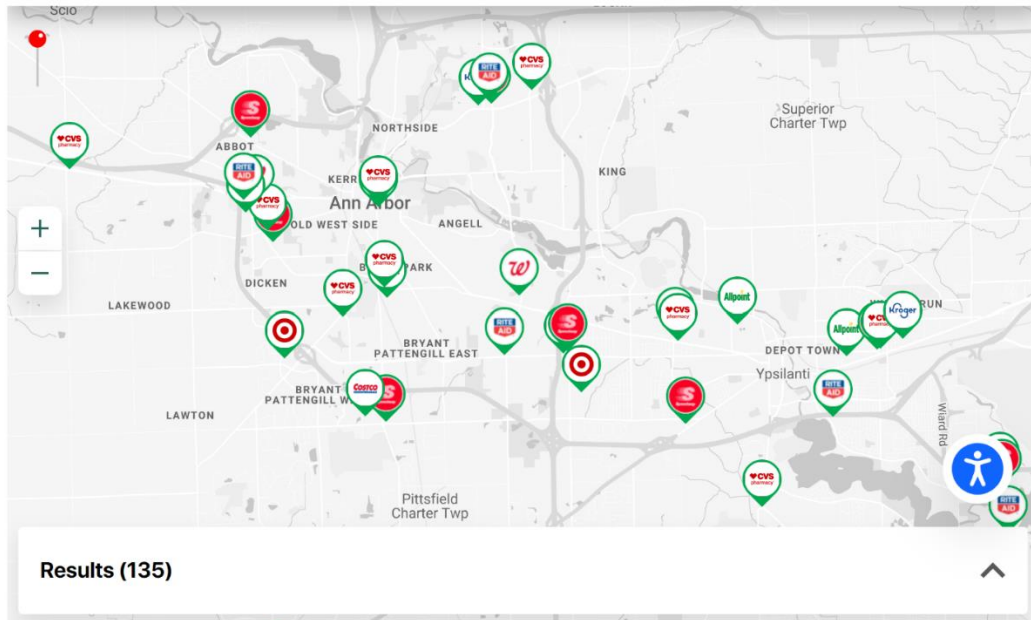


The following map also details a portion of the assessment area with the same tracts as referenced in the map above also highlighted; however, the map also depicts estimated median household income projections for the immediate locality of the branch and LPO locations (2019 ACS projections developed by HUD).



In addition to the present network of branch locations and loan production offices, University Bank also maintains an extensive network of automated teller machines (ATMs) throughout

Washtenaw County for use by bank customers and other consumers present within the communities of the region. This network is comprised of both on-site and other bank-owned and administered ATMs as well as ATMs in the Allpoint ATM network, which provide free services to University Bank customers. A map to illustrate the coverage of this network, including 3rd party ATMs, is provided below. Based upon the results of a search based upon Washtenaw County, the Allpoint ATM locator service indicates there are 135 ATMs within the county, which appear to be reasonable dispersed and available to consumers within the designated assessment area.



Loan Portfolio Composition

According to the Call Report dated March 31, 2021, the institution reported total assets of approximately \$658.5 million, total loans of \$304.9 million, total deposits of \$538.1 million, and total securities of \$3.0 million. UB experienced significant growth within all balance sheet categories since the prior evaluation, when total assets were \$127.0 million and total loans were \$91.6 million. During the evaluation period, total assets increased by 418.5 percent and total loans increased by 232.9 percent. The institution’s strong growth includes significant increases in the volume of mortgages originated and sold on the secondary market, while retaining servicing. UB also has a significant level of zero-interest deposits. The following table illustrates the loan portfolio distribution as of March 31, 2021. For illustrative purposes, the 2021 CRA examination considered the following portfolio:

Loan Portfolio Distribution as of 03/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	9,208	3.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	221,701	72.7
Secured by Multifamily (5 or more) Residential Properties	661	0.2

Secured by Nonfarm Nonresidential Properties	46,455	15.2
Total Real Estate Loans	278,025	91.1
Commercial and Industrial Loans	17,465	5.7
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	174	0.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	9,274	3.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	304,938	100.0
<i>Source: Reports of Condition and Income 03/31/2021. Due to rounding, may not equal 100.0%</i>		

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Assessment Area Analysis & Performance Context

General Demographics

University Bank has delineated one distinct assessment area for purposes of examination under the requirements of the CRA. This assessment area is comprised of Washtenaw County, Michigan, which solely comprises the entirety of the Ann Arbor Metropolitan Statistical Area (MSA). Within this county, University Bank has designated all census tracts as its assessment area. This assessment area, with a population of 354,092, is located in southeast Michigan southwest of Detroit, Michigan, the largest major metropolitan area in the State of Michigan. The bank's main office is located in Ann Arbor, Michigan, which is the county seat of Washtenaw County and has a population of 113,934 as of the 2010 census. Washtenaw County is the home of the main campus of the University of Michigan and its wholly owned academic medical center Michigan Medicine, as well as Eastern Michigan University and Washtenaw Community College. In addition to medical and educational institutions, the city features a mixed industry of retail, industrial, service-oriented businesses, and non-profits, including another large hospital, as well as other governmental services. Based on information from Crain Communications, a Detroit-based publisher, the following entities are the largest reported employers in Washtenaw County:

Largest Employers - Washtenaw County	
<i>with greater than 1,000 employees</i>	
Employer	# of Employees
University of Michigan	33,225
Trinity Health	7,435
United States Federal government	3,060
Ann Arbor Public Schools	2,225
Faurecia North America	2,178
Eastern Michigan University	1,559
IHA Health Services	1,442
State of Michigan	1,409
Washtenaw County	1,264
Thomson Reuters	1,155
TOTAL	54,952

Banking competition is heavy in the assessment area, with 18 Federal Deposit Insurance Corporation (FDIC)-insured depository institutions maintaining 84 offices throughout the designated assessment area. According to the FDIC Deposit Market Share Report, as of June 30, 2021, the bank ranked 8th in terms of deposit market share, encompassing 4.66 percent of the total assessment area deposit dollars totaling \$583,845M. It should also be noted that the Assessment Area includes a very high number of large, national or regional depository institutions with significant market profile in the assessment area, with only one locally operated community bank in competition with University Bank in the city of Ann Arbor (Bank of Ann Arbor) and only one other locally operated community bank elsewhere in Washtenaw County

(Chelsea State Bank). Other competitors with greater share in the deposit market ranged in size from \$83.3B in total deposits to \$3,190B and with total domestic offices (on a nationwide basis) from 421 to 4,916 offices.

Deposit Market Share - as of June				
Metropolitan Statistical Area – ANN ARBOR, MI				
Institution	State Headquartered	# of Offices in Market	Deposits (\$000s)	Market Share %
JP Morgan Chase Bank, NA	OH	9	2,444,010	19.51%
Bank of Ann Arbor	MI	6	1,731,107	13.82%
Keybank National Association	OH	8	1,525,548	12.18%
The Huntington National Bank	OH	16	1,439,117	11.49%
PNC Bank, NA	DE	9	1,176,804	9.39%
Comerica Bank	TX	9	1,000,070	7.98%
Bank of America, NA	NC	3	888,455	7.09%
University Bank	MI	1	583,845	4.66%
Old National Bank	IN	4	445,050	3.55%
Chelsea State Bank	MI	3	366,148	2.92%
Fifth Third Bank	OH	3	335,916	2.68%
Flagstar Bank	MI	5	255,978	2.04%
Northstar Bank	MI	1	111,574	0.89%
Level One Bank	MI	3	86,068	0.69%
First Merchants Bank	IN	1	62,321	0.50%
Citizens Bank, NA	RI	1	58,451	0.47%
Bank Michigan	MI	1	15,559	0.12%
Comerica Bank & Trust, NA	MI	1	509	0.00%
Number of Institutions in the Market: 18				
TOTAL		84	\$12,526,531	100%

As a further reflection on the competitiveness within the assessment area it is worth noting that with respect to the bank’s overall performance context, the deposit volume reported in Deposit Market Share report summarized above is inclusive of deposits originating from outside the defined assessment area based upon the Bank’s sub-servicing activities. Deposits originating solely from the Bank’s community banking activities are detailed below:

Community Bank Deposits (Consumer & Commercial)				
As of Date:	Demand Deposits	Savings	CD's	Total
December 31, 2018	\$20,165,757	\$442,415	\$2,323,770	\$22,931,942
December 31, 2019	\$13,341,046	\$330,732	\$1,834,468	\$15,506,246
December 31, 2020 ¹	\$20,650,269	\$432,242	\$1,561,140	\$22,643,651

Economic and Demographic Data

According to the 2015 American Community Survey (ACS) data, there are 100 census tracts within the bank's AA with the following income designations: 16 low-income, 16 moderate-income, 37 middle-income, 25 upper-income, and 6 tracts with no income designation. Low- and moderate income tracts are mostly in and around the City of Ypsilanti, on the east side of the county, with a few moderate-income tracts near Ann Arbor. The tracts with no income designation include Willow Run Airport in Ypsilanti, and tracts in downtown Ann Arbor comprised of the University of Michigan. The following table illustrates select demographic information about the AA.

Demographic Information of the Assessment Area						
University Bank Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	100	16.0	16.0	37.0	25.0	6.0
Population by Geography	354,092	14.9	12.9	40.2	27.6	4.4
Housing Units by Geography	149,098	15.8	14.1	40.5	27.5	2.0
Owner-Occupied Units by Geography	82,525	6.6	12.0	44.7	36.5	0.2
Occupied Rental Units by Geography	55,542	28.7	17.6	34.3	15.0	4.4
Vacant Units by Geography	11,031	20.0	12.6	41.1	23.1	3.2
Businesses by Geography	28,343	9.0	9.2	42.5	32.5	6.8
Farms by Geography	925	3.5	6.2	56.5	33.4	0.4
Family Distribution by Income Level	79,373	22.7	17.0	19.6	40.7	0.0
Household Distribution by Income Level	138,067	25.4	15.9	15.8	42.9	0.0
Median Family Income MSA - 11460 Ann Arbor, MI MSA		\$87,331	Median Housing Value			\$208,543
			Median Gross Rent			\$1,001
			Families Below Poverty Level			8.0%

Source: 2015 ACS and 2020 D&B Data. Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification.

The above table reveals that the bank's combined assessment area is comprised of 16 low-income census tracts, 26 moderate-income census tracts, 37 middle-income census tracts, and 25 upper-income census tracts (with 6 tracts not rated). The largest portion of the assessment area

¹ Deposit totals for 2020 include deposits related to Warehouse Lines (all out of AA).

population resides in middle-income census tracts, totaling 40.2% of the assessment area population.

Based on 2020 census data, the median family income for the Ann Arbor MSA totaled \$101,500. At the same time, the state of Michigan non-MSA median family income was \$60,900 based on the 2020 FFIEC estimated data. The following table summarizes the income ranges for low-, moderate-, middle-, or upper-income designations based on estimated FFIEC income values for the MSA for the 2018, 2019, and 2020 reporting years. It should be noted that FFIEC estimated data are subject to periodic correction based on census and ACS survey results.

Area Estimated Median Family Income Ranges					
Dataset	Low	Moderate	Middle	Upper	Median
Ann Arbor MSA - FFIEC Estimated MFI					
2018	\$ 46,449	\$ 46,450 \$ 74,319	\$ 74,320 \$ 111,479	\$ 111,480	\$ 92,900
2019	\$ 50,599	\$ 50,600 \$ 80,959	\$ 80,960 \$ 121,439	\$ 121,440	\$ 101,200
2020	\$ 50,749	\$ 50,750 \$ 81,199	\$ 81,200 \$ 121,799	\$ 121,800	\$ 101,500

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment areas appear to be less affordable than in the state of Michigan at large. The median housing value for the Ann Arbor MSA assessment area was \$263,600, which is significantly higher than the estimated median housing value for the State of Michigan of \$154,900 based upon 2019 5-year estimated ACS data. Similarly, the owner-occupied housing unit rate for Washtenaw County also trends lower than statewide estimates at 61.1% versus 71.2%. Median gross rents from 2019 ACS data were also significantly greater than gross rents on a statewide basis, totaling \$1,114 versus \$871. This differential (~ +28%) is likely attributable not only to the greater area median income, but also to the large concentration of student housing in the assessment area to support the University of Michigan and Eastern Michigan University.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of education, health care and social assistance, retail trade, and other service-oriented sectors. According to the U.S. Census Bureau 2018 County Business Patterns, by number of paid employees in the assessment area (excluding governmental employment, including the majority of the education sector), health care and social assistance was the largest source of employment (39,614), followed by accommodation and food service (18,241), retail trade (17,501), manufacturing (15,656), and professional, scientific, or technical services (14,592). Total paid employees for all sectors were reported as 155,894. According to the U.S. Department of Labor, Bureau of Labor Statistics, the average unemployment rate (not seasonally adjusted) was estimated to be 9.9% during 2020 for the state of Michigan, which was considerably greater than the projected annual rate for Washtenaw County for the same period, which was estimated to be 3.6%. Note: Both unemployment rate projections, but particularly the statewide rate, are projected to be disproportionately affected by the COVID-19 pandemic event.

Conclusions as to Performance Context and Community Needs

As supported by the independent Community Needs Interviews commissioned by the Bank and further detailed below, a review of the assessment area indicates that wealth inequality and access to affordable housing remains one of the greatest challenges in the assessment area. As indicated by the Bank's CRA Self-Assessment completed in June 2021, the assessment area is a competitive banking market with eighteen (18) institutions reported in the most recent FDIC Deposit Market Share report and many more participating in the assessment area through direct and indirect lending activity. Access to credit for commercial enterprises is determined to be generally good based on the number and portfolio composition of these peer institutions; however, access to affordable housing, particular for low-to-moderate income persons is a significant ongoing challenge. Significant variances in tract level income ratings and individual tract median incomes further reveal challenges in income and wealth inequality in the area. Recent ACS data also indicated that gross rents were up to 28% higher than state averages within the assessment area. Although reinforced strongly by the results of the Community Needs Interviews, an independent analysis of the assessment area supports the conclusion that access to and support for affordable housing is the most impactful focus area for the Bank's CRA efforts and initiatives.

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Historic Lending Performance Analysis

Loan Distribution by Borrower's Profile

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income on the HMDA Loan Application Register (LAR) for University Bank and the Bank's affiliates University Lending Group (LEI: 549300DZCP6EQ7DCSD79) and UIF, LLC (LEI: 549300BXWU32AYWT1A56) to the applicable median family income figure applicable to the geography of the applicant, as detailed in the Income and Wealth Demographics section of this assessment above. All activity detailed below was originated in the Washtenaw County assessment area during the applicable reporting year. The following tables show the distribution of HMDA loans by borrower income level on the basis of the nominal number of loans originated (count) and dollar volume. Additional aggregate analysis and peer information is provided in the Peer Analysis and Conclusions section of this self-assessment below.

Ann Arbor Assessment Area:

The following tables are provided for the Washtenaw County/ Ann Arbor MSA assessment area (as defined in the Assessment Area Analysis section above).

Distribution of Home Mortgage Loans by Borrower Income Level University Bank Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	22.7	10.2	26	8.2	3,303	4.0
2020	22.7	--	81	8.9	11,913	5.0
Moderate						
2019	17.0	21.0	78	24.5	16,005	19.3
2020	17.0	--	199	21.9	39,799	16.7
Middle						
2019	19.6	24.1	92	28.8	21,543	26.0
2020	19.6	--	250	27.6	65,231	27.4
Upper						
2019	40.7	36.0	111	34.8	38,206	46.1
2020	40.7	--	357	39.4	116,009	48.7
Not Available						
2019	0.0	8.8	12	3.8	3,734	4.5
2020	0.0	--	20	2.2	5,106	2.1
Totals						
2019	100.0	100.0	319	100.0	82,791	100.0
2020	100.0	--	907	100.0	238,058	100.0
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Geographic Distribution of HMDA Loans

As noted in the description of the Bank’s assessment area above, the assessment area is comprised of 100 census tracts consisting of 16 low-income tracts, 16 moderate-income tracts, 37 middle-income tracts, 25 upper-income tracts, and 6 unrated tracts. The analysis in this section illustrates the distribution of the Bank’s loan activity, as well as activity from its CRA affiliates, across these geographies. The following tables display the geographic distribution of HMDA loans within the assessment areas.

Washtenaw County Assessment Area:

The following tables are provided for the Washtenaw County/ Ann Arbor MSA assessment area (as defined in the Assessment Area Analysis section above)

Geographic Distribution of Home Mortgage Loans						
University Bank Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	6.6	6.5	25	7.8	4,367	5.3
2020	6.6	--	56	6.2	9,986	4.2
Moderate						
2019	12.0	12.0	48	15.0	9,248	11.2
2020	12.0	--	102	11.2	19,784	8.3
Middle						
2019	44.7	46.0	134	42.0	33,474	40.4
2020	44.7	--	373	41.1	91,277	38.3
Upper						
2019	36.5	35.2	112	35.1	35,702	43.1
2020	36.5	--	374	41.2	116,323	48.9
Not Available						
2019	0.2	0.3	0	0.0	0	0.0
2020	0.2	--	2	0.2	688	0.3
Totals						
2019	100.0	100.0	319	100.0	82,791	100.0
2020	100.0	--	907	100.0	238,058	100.0

Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Geographic Distribution of Small Business Loans

As noted in the description of the Bank's assessment area above, the assessment area is comprised of 100 census tracts consisting of 16 low-income tracts, 16 moderate-income tracts, 37 middle-income tracts, 25 upper-income tracts, and 6 unrated tracts. The following tables display the geographic distribution of small business loans within the assessment area.

Geographic Distribution of Small Business Loans University Bank Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	8.9	0	0.0	0	0.0
2020	9.0	4	4.7	161	2.1
Moderate					
2019	9.2	0	0.0	0	0.0
2020	9.2	5	5.9	372	5.0
Middle					
2019	42.7	4	40.0	1,116	50.6
2020	42.5	37	43.5	1,992	26.5
Upper					
2019	32.0	6	60.0	1,088	49.4
2020	32.5	36	42.4	4,584	61.0
Not Available					
2019	7.2	0	0.0	0	0.0
2020	6.8	3	3.5	406	5.4
Totals					
2019	100.0	10	100.0	2,204	100.0
2020	100.0	85	100.0	7,515	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

The following table describes lending to small businesses based on the income category of the business.

Distribution of Small Business Loans by Gross Annual Revenue Category University Bank Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	83.3	10	100.0	2,204	100.0
2020	85.2	9	10.6	2,089	27.8

>\$1,000,000					
2019	5.9	0	0.0	0	0.0
2020	5.2	1	1.2	250	3.3
Revenue Not Available					
2019	10.8	0	0.0	0	0.0
2020	9.6	75	88.2	5,176	68.9
Totals					
2019	100.0	10	100.0	2,204	100.0
2020	100.0	85	100.0	7,515	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

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Innovative or Flexible Lending Products

University Bank originates consumer and commercial loans and provides funding for its two subsidiaries, University Lending Group, LCC (ULG) and UIF Corporation (UIF) to originate mortgages within its assessment area and other states and localities where those subsidiaries are licensed. The HMDA analysis detailed above is inclusive of the production activity of these subsidiaries within the Bank’s defined assessment area.

The Bank also makes SBA Loans to businesses and has made the following number of SBA loans, exclusive of lending under the Payroll Protection Program (PPP):

SBA Lending (Through March 31, 2021)				
Year	2021	2020	2019	Total
# of Loans	2	4	1	7
\$ of Loans	\$575,000	\$390,000	\$571,500	\$1,536,500

The Bank also offers Business Manager Lines of Credit. This program allows small to mid-size business, who may not qualify for a traditional operating line of credit secured by accounts receivable, to bridge the gap between payables due to suppliers today and receivables that their customers won’t remit for 30 days or more. BusinessManager® enables these small businesses to get cash for their accounts receivables deposited directly into their bank account by selling them to University Bank at a discount. Currently the Bank has 5 of these Lines of Credit with potential capacity of \$2.2 Million on a cumulative basis.

University Lending Group (ULG) participates in a number of specialized lending programs including VA, FSA (USDA), and FHA. These programs are generally targeted to under-served borrowers that may not meet the income qualification requirements for conventional secondary market programs. ULG made the following numbers of loans under these programs:

Program Type	Number of Loans Originated per Year (Nationwide)	
	2020	2019
VA	1099	574
FHA	642	498
FSA	185	152
Number of Loans Originated per Year (Washtenaw Co. - Ann Arbor MSA)		
VA	18	7
FHA	29	8
FSA	7	3

In addition, ULG offers Freddie Mac’s (FHLMC) Home Possible and Fannie Mae’s (FNMA) Home Ready products that target LMI populations. ULG made the following number of loans in these programs combined:

Year	2020	2019
# of Loans Originated	241	234
\$ of Loans Originated	\$40,935,186	\$39,100,335

ULG also offers loans under numerous State Housing programs. Most notably in our Michigan Market, ULG offers MSHDA’s programs that target LMI borrowers. Below is a summary of the loans originated under these programs:

Year	2020	2019
# MSHDA (MI)	61	43
\$ MSHDA (MI)	\$7,519,544	\$4,893,371
# Out-of-state	53	81
\$ Out-of-state	\$8,283,902	\$10,917,544

Finally, ULG also instituted a special portfolio loan program (held in the University Bank portfolio) for the Washtenaw County Habitat for Humanity (Habitat). Special criteria are used in qualifying Habitat’s approved home buyers, enabling these LMI borrowers to purchase a primary residence. As of April 7, 2021, we have originated 5 loans under this program and remain an approved partner for Habitat.

UIF, Corporation (UIF) offers faith-based products, which are uniquely designed for clients who, due to their religious beliefs, avoid the payment of interest and are therefore not willing to participate in conventional loans of any type. Based on the target market served by UIF, a large proportion of UIF borrowers are religious and racial minorities that have been traditionally underserved by the domestic banking system in the United States. All UIF home mortgages are “specialty products,” but UIF does offer home financing products that are designed for first time home buyers and/or creditworthy low-to-moderate income borrowers with expanded eligibility for financing homes in low-income, minority, and disaster impacted communities.

In addition, UIF offers Freddie Mac’s Home Possible and Fannie Mae’s Home Ready products that target LMI populations. UIF made the following number of loans in these programs combined:

Year	2020	2019
# of Loans Originated	335	320
\$ of Loans Originated	\$73,322,201	\$66,936,063

UIF also offers some commercial financing products that are secured by real estate and that adhere to same principles with respect to being configured to accommodate the faith-based needs of minority groups. Those products are attractive to commercial businesses owned by individuals who wish to avoid the payment of interest for religious reasons and faith-based non-profit

organizations and that have comparatively less access to affordable credit in contrast to other persons that do not share the same religious beliefs.

Historic Community Development Analysis

Community Development Lending

University Bank originated or renewed a total of 25 community development loans within its assessment area totaling \$2,657,729 in dollar volume between January 1, 2018 and March 31, 2021. The number and dollar volume of these loans is summarized in the table below:

Community Development Loans - Inside AA: 2019 - 2021				
Dataset	2019	2020	2021	Total
Community Development Loans	3	13	8	25
	1,166,625	971,425	369,679	2,657,729

In addition to the loans above, the Bank also originated the following community development loans (via the SBA's payroll protection program) that are outside the defined assessment area, but were made to qualifying businesses located in low-to-moderate census tracts in adjoining localities in Michigan, which assists in stabilizing employment and business productivity within the wider region:

Community Development Loans - Outside AA: 2019 - 2021				
Dataset	2019	2020	2021	Total
Community Development Loans	0	2	8	10
	0	15,500	607,554	623,054

Below are notable narratives of the Bank's community development lending activities within these performance years:

- During the assessment period, the Bank originated two PPP loans and renewed a line of credit on two occasions for Foundations Preschool of Washtenaw County, a childcare and early childhood development center principally serving low-to-moderate income families in Washtenaw County. The total balance of all loans originated or renewed was \$806,200 between 2018 and 2021 year-to-date.
- During 2020 and year-to-date 2021, the Bank originated 18 loans totaling \$789,979 in dollar volume to businesses or other qualifying entities located in low- or moderate-income census tracts in Washtenaw County through the SBA's PPP program. These loans fulfilled critical needs in the community through allowing these businesses to retain employees and continue business operations during the Covid-19 pandemic event.

Community Development Investments & Donations

University Bank reported no securities in qualifying community development investments for the 2019 - 2021 performance years (year to date). In addition, the Bank reported 10 qualifying

donations totaling \$108,857 for the 2019 through year-to-date 2021 reporting years. The following table summarizes this information:

Community Development Donations & Investments		
Dataset	2019 - 2021	
Donations	10	donations
	108,857	dollars
Dataset	2019 - 2021	
Investments	2	securities
	3,125,146	dollars

Donation activity includes multiple investments in the Habitat for Humanity of Huron Valley, a non-profit organization focused on improving accessibility to affordable housing for low-income persons located in Washtenaw County, Michigan.

Community Development Service Hours

University Bank recorded 321 community development service hours between 8 distinct functions during the 2019 through 2021 year to date performance years.

Community Development Service Hours: 2019 - 2021		
Dataset	2019 - 21	Total
Service Hours	5 functions	5
	321 hours	321

Below are three notable narratives of the Bank’s service hour activities for the 2019 through 2021 performance period:

- University Bank provides Individual Development Accounts to participants of the Michigan Youth Opportunities Initiative which helps children in foster care prepare for the time they age out of the foster care program. In conjunction with that organization, the Bank delivers training to the at-risk youth. For example, the Branch Manager and another Community Banker, using the FDIC’s Money Smart Program, presented a workshop for 12 individuals covering budgeting and saving. Additional workshops have been held with some regularity on similar topics to these at-risk youth participants.
- University Bank also seeks opportunities to reach out to small business owners, particularly those persons interested in starting or operating businesses in low- or moderate-income areas or that operate business to fulfill deficiencies in community service needs. In March of 2019, the Community Bank Director presented at a workshop sponsored by the Small Business Development Center of Washtenaw County and focused on the necessary elements of a business plan from the viewpoint of a lending institution. This program was attended by 12 people interested in learning how to develop a

documented business plan that would potentially lead to the being successful at acquiring bank funding for a new or growing small business.

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Community Needs Interviews

In the course of development of this CRA Strategic Plan, University Bank engaged independent consultant Kim Kuhle of Omaha, Nebraska to perform a series of verbal interviews of community contacts with business and community leaders in the Washtenaw County Assessment Area during August 2020.

Overview and Methodology

Contacts were selected based on input from bank staff and a review of active associations and not-for-profit entities operating in the assessment area and focused on meeting community needs considered in the community development context of the CRA. Each identified community contact was interviewed by the independent consultant to assist in identifying outstanding needs within the assessment area that may be addressed via this Strategic Plan. Detailed results from these interviews were included in a summary notation to University Bank and a brief summary of each contact and the results of this process are detailed below.

Community Contacts

Ann Arbor SPARK – Phil Santer

Ann Arbor SPARK is an economic development organization for the Ann Arbor area with a focus on helping companies grow, connecting job seekers to new opportunities, and supporting millions in investments in local businesses.

Economic Development Commission of the City of Ann Arbor – Peter Long

The Economic Development Corporation of the City of Ann Arbor was formed under Michigan's Economic Development Corporation Act in 1978. Its purpose is to assist in the attraction, relocation, retention and expansion of profit and non-profit organizations which provide employment and which are considered desirable and beneficial to the City. It has carried this out primarily by its issuance of tax-exempt revenue bonds. This has permitted borrowers to realize substantial savings in financing costs due to the difference between taxable and tax-exempt interest rates.

Michigan Small Business Development Center – Charlie Penner

The 'SBDC' provides business planning and technical support services to emerging businesses in the Ann Arbor region.

Shelter Association of Washtenaw County – Daniel Kelly, Alisha Lon

The Shelter Association of Washtenaw County provides temporary shelter and connections to services in a safe and caring environment and works with the community to allocate the necessary resources to meet the needs of people who are experiencing homelessness. The Association serves nearly 1,200 adults experiencing homelessness each year.

Ann Arbor Housing Commission – Jennifer Hall

Ann Arbor Housing Commission seeks to provide desirable housing and related supportive services for low-income individuals and families on a transitional and/or permanent basis. AAHC partners with housing and service providers to build healthy residential communities and promote an atmosphere of pride and responsibility.

United Way of Washtenaw County – Pamela Smith, Ugbaad Kenyan

The United Way provides funding for nonprofits that, in turn, provide basic social services to low-and moderate-income people.

Summary of Interview Results

The independent interviews performed by Ms. Kuhle during August 2020 identified access to affordable housing as the greatest extant need within the Washtenaw County assessment area. Strong economic performance in the assessment area in recent years and high levels of existing development have resulted in significantly increasing home prices; a trend which has been further exacerbated by inflation in home prices and associated housing inputs such as materials costs. Stocks of affordable housing are limited in the assessment area and new development and rehabilitation activity has been outpaced by demand for affordable housing supply. A secondary need identified via the interview process was access to financial education and financial literacy programs. Respondents indicated that within low-to-moderate income communities, financial literacy remains low, and many persons are unaware of the programs available from financial institutions and other entities, indicating that opportunities for expanding outreach programs in the assessment area exist.

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Plan Overview and Methodology

This CRA Strategic Plan has been established in accordance with the following rationale and methodology:

Overview and Rationale

Based on the unique business model of University Bank and its affiliated entities detailed above, the Bank derives a substantial majority of deposits from outside the local assessment area via the mortgage servicing activities undertaken directly by the Bank or indirectly via affiliated entities. This business model presents unique challenges with respect to CRA performance as these deposits are not derived from the consumers, businesses, and other entities living or operating in the Washtenaw County assessment area, but rather are received from consumers throughout the nation in connection with mortgage servicing activities such as payment processing and remittance and escrow account administration. As these deposits are not locally derived through normal business operations, an imbalance is created between the Bank's traditional community banking business activities and those activities corresponding to these nationwide services, which comprise a substantial majority of the Bank's business operations and contribute to an elevated asset size that is not reflective of the Bank's community banking operations.

Another significant consideration pertains to the nature of the Bank's deposit sources. Mortgage subservicing activity is highly cyclical with respect to continuous inflows and outflows of cash deposits. Large transactional inflows derived from refinancing or home sales events occur unevenly throughout the year, as do new home purchase transactions and corresponding increases in servicing activities. Other events, such as payments of property taxes for administered escrow accounts, also tend to be disproportionately concentrated in specific months of a given year. Coupled with the cycle of remittances of received payments or mortgage payoffs to the underlying investors that own mortgage-backed securities, the Bank routinely experiences significant variations in cash deposits throughout a given year, creating a fluctuating deposit base that cannot be utilized in the same proportion for direct lending activities in contrast to deposit sources that traditionally comprise the majority of deposit portfolios among the Bank's assessment area peers. In addition, monthly deposit flows are significant, with month-end cash deposits significantly higher than the monthly average.

Based on these considerations, this Strategic Plan will formulate goals based upon perceived community needs, historic bank performance, and peer performance. In order to formulate objective performance goals, we have determined that the most reasonable metric available to establish annual goals will utilize historical annual average assets² of the of the Bank for the prior performance year as this value accommodates the anticipated changes in portfolio volumes discussed above. Individual goals will generally be established based upon a percentage of this value. These percentages will be developed based on a number of factors, including: (1) historic

² As further defined in the Glossary, this value will be calculated after submission of the December CALL report and will be utilized for calculating the next performance period's targets. For example, average total assets calculated after submission of the December 2021 CALL report will be utilized for 2022 performance goals, which will generally be defined as achieving a given percentage of this average total asset value during the 2022 performance year.

performance of the Bank, (2) peer performance, (3) apparent community needs, (4) projected capacity of the Bank to meet the performance goal based on current business activities and market conditions.

Methodology

For each Plan Year, the Bank will be assessed in its Assessment Area based on seven measurable goals: Lending to LMI Borrowers for HMDA-reportable transactions, Lending to LMI Geographies for HMDA-reportable transactions, Lending to Small Businesses with gross annual revenues less than \$1MM, CRA-eligible lending meeting the ‘community development’ definition, Investments meeting the ‘community development’ definition, Donations meeting the ‘community development’ definition, and Services / Service Hours meeting the ‘community development’ definition. These measurable goals will be combined in the methods detailed below to ultimately determine the Bank’s CRA Exam rating. Performance for University Bank as well as any eligible affiliated entities will be considered when evaluating performance in the defined Assessment Area, which is comprised of the entirety of Washtenaw County, Michigan.

Measurable Goals

With respect to each plan goal detailed below, performance targets will be established at the beginning of each Plan Year using the average assets from the end of the previous year as a performance guide. To provide continuity and certainty as to performance expectations, goals will not experience intra-cycle changes, with the exception of any adjustments based upon significant and material changes in macroeconomic conditions that are likely to cause substantial impairment to this Plan. Plan goals will be displayed for the baseline ‘Satisfactory’ rating as well as the ‘Outstanding’ rating, although individual ratings for plan goals will be dependent on the relative percentage to which that goal was achieved (e.g. achieving 110% of the baseline goal will result in a ‘High Satisfactory’ rating as further detailed below).

Goal Attainment

When assessing attainment of performance goals, goals will be deemed to be satisfied in the event the targeted percentage of average assets or other quantitative goal is met or exceeded. As noted above, Performance goals will include activity from Bank affiliates occurring within the defined Assessment Area. The Bank’s CRA Eligible Lending, CD Investment and CD Services Performance Goals will be measured using a points system. The following chart lays out the scoring system for the CRA performance activity. It assigns points based on the percentage of Plan Goal achieved multiplied by the tier point multipliers. Tier levels are utilized in the plan to provide a mechanism to ‘weight’ different plan goals based upon the importance of the goal relative to community needs and the degree to which the goal complements the Bank’s business model, enhancing the capacity of the Bank to demonstrate strong performance in that area.

Points Matrix		
Ratings	Base Value	Definition
Outstanding	12	120% of PG*
High Satisfactory	9	110% of PG
Satisfactory	6	100% of PG ³
Low Satisfactory	4	90% of PG
Needs to Improve	2	80% of PG
Substantial Noncompliance	0	< 80% of PG

*PG = Plan Goal

As discussed above, the base points assigned for each rating is multiplied by the tier ranking assigned to each plan goal. For example, a ‘Tier 1’ plan goal will have a point range of 0 – 24 points based on the 2.0x multiplier applied to that goal.

Goal Level: Point Multipliers	
Tier 1	2.0
Tier 2	1.5
Tier 3	1.0

The following table summarizes the total points from all defined plan goals needed to achieve a given rating. Total points represent the aggregate total from all plan goals calculated using the methodology discussed above, which is inclusive of goal Tier Levels and associated multipliers. As noted in this table, the ‘Satisfactory’ rating is subdivided into several sub-categories to provide greater delineation of the Bank’s performance and to better align with existing regulatory methodologies for grading CRA performance.

Overall Rating - Required Goal Scores	
Ratings	Total Pts to Earn
Outstanding	110
Satisfactory	
High Satisfactory	88
Satisfactory	66
Low Satisfactory	44
Needs to Improve	22
Substantial Noncompliance	< 22

³ 100% of the Plan Goal represents the baseline scenario for performance. Actual performance falling under this baseline will receive a lesser rating, while performance sufficiently in excess of this threshold will receive a higher rating.

Plan Changes and Contingencies

The Strategic Plan will operate based on an initial three-year plan cycle. This cycle may in future be amended based on the strategic needs of the Bank. As discussed above, plan performance goals are to be established and take effect at the beginning of each new plan cycle based on conditions immediately preceding the commencement of the new plan cycle. Performance goals will be based upon static dollar volume or other quantitative targets for each given cycle and represented as a percentage of average assets or other reasonable quantitative driver suitable to the character of the plan goal (e.g. employee count for service hour goals).

Due to the nature of the Bank's mortgage-focused business model, prevailing macroeconomic conditions, including the interest rate policy pursued by the Federal Reserve Bank, have a significant impact upon the volumes of the Bank's secondary market mortgage origination and subservicing subsidiaries. As experienced during and in the aftermath of the 2008 Financial Crisis and the 2020 Pandemic, economic crises or other comparable disruptions can result in material changes in market conditions that may preclude the achievement of the plan goals established and believed to be reasonably achievable at the onset of a given plan cycle. In the event that market conditions substantially impact the capacity of the Bank to achieve stated goals, the Bank will proactively work with the Federal Deposit Insurance Corporation to amend the Plan as needed in order to ensure that goals are reasonably achievable based on current conditions.

Alternative Evaluation

If University Bank fails to meet the strategic plan goals outlined below for a "Satisfactory" rating, the Bank elects to be evaluated under the Intermediate Small Bank examination methodology.

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Plan Performance Goals

The following performance goals have been defined based on the performance context, assessment area profile, historic performance of the Bank, and outstanding credit needs of the community in the defined assessment area.

Performance Goal 1: HMDA Lending to LMI Borrowers

Goal Summary: The Bank expects to achieve its CRA-eligible lending measurable goals through the origination and/or purchase of HMDA loans originated in the Ann Arbor, MI assessment area, with a percentage of average assets going to low- or moderate-income individuals based on borrower income levels.

Goal Targets: Based on our projected asset size and financial situation, we have established the following measurable lending goals. The goals have been stated as a percentage of our average assets in terms of CRA qualified lending goal to low-to-moderate income borrowers. Rather than choose a progressive goal (as was observed in other agency approved plans) we have chosen to tie our goal to our average asset size so that it will grow as the bank does. These goals include all new loans within our assessment area that are CRA qualified. The Bank's measurable goals are set at a level that should be sustainable, depending on the relevant economic conditions at that time.

Plan Goal 1: LMI HMDA Loans as a percentage (%) of Average Assets in AA (only low- to moderate-income borrowers)			
Plan Year	Satisfactory	Outstanding	Tier
2022	7%	8.4%	1
2023	7%	8.4%	1
2024	7%	8.4%	1

Goal Rationale:

As indicated by the income and wealth demographics of the assessment area and from the results of the independent Community Needs Interviews commissioned by the Bank, access to and support for affordable housing is the greatest extant need within the assessment area among all income demographics, but with particular reference to low-to-moderate income households.

In establishing the plan goals above, performance targets have been designated based on historic performance, extant community needs, future strategic plans, and projections regarding potential future performance based on current and emerging economic conditions. As summarized in the table below, the historic performance of the Bank has substantially increased in this area during 2020 in contrast to prior period performance. This increase is attributable to a number of factors, including but not limited to changes in national macroeconomic conditions and responses to the return of an exceptionally low interest rate market, which has increased volumes of refinancing

activity and improved purchasing power for residential dwellings for qualified applicants on at least a short-term basis. In particular, concerns regarding the sustainability of 2020 loan production levels in light of the substantial increases experienced in home prices in the assessment area, which ultimately diminish the affordability of homes for new buyers and the prospect of future rate increases given inflationary concerns, have induced the Bank to set targets that are believed to be achievable and provide excellent reinvestment rates of local deposits into the community. As discussed above, affordable housing has been identified as the most significant community need in the assessment area; therefore, we believe this plan goal will provide greatest benefit to all persons, including low-to-moderate income persons, in Washtenaw County. The following tables summarizes historic performance for this plan goal:

Distribution of Home Mortgage Loans by Borrower Income Level University Bank Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	22.7	10.2	26	8.2	3,303	4.0
2020	22.7	--	81	8.9	11,913	5.0
Moderate						
2019	17.0	21.0	78	24.5	16,005	19.3
2020	17.0	--	199	21.9	39,799	16.7
Middle						
2019	19.6	24.1	92	28.8	21,543	26.0
2020	19.6	--	250	27.6	65,231	27.4
Upper						
2019	40.7	36.0	111	34.8	38,206	46.1
2020	40.7	--	357	39.4	116,009	48.7
Not Available						
2019	0.0	8.8	12	3.8	3,734	4.5
2020	0.0	--	20	2.2	5,106	2.1
Totals						
2019	100.0	100.0	319	100.0	82,791	100.0
2020	100.0	--	907	100.0	238,058	100.0
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

The following tables summarizes historic performance of lending to LMI borrowers as a percentage of average assets. As indicated within this table, the proposed plan goal is in reasonable alignment to historic performance of the Bank.

Historic HMDA Lending to LMI Borrowers as % of Average Assets			
Year	Avg. Assets (000's)	LMI Lending (\$000's)	% of AA
2019	\$ 315,970	\$ 19,308	6.1%
2020	\$ 491,186	\$ 51,712	10.5%

Performance Goal 2: HMDA Lending in LMI Geographies

Goal Summary: The Bank expects to achieve its CRA-eligible lending measurable goals through the origination and/or purchase of HMDA loans originated in the Ann Arbor, MI assessment area, with a percentage of average assets going to low- or moderate-income geographies.

Goal Targets: For the 2022, 2023, and 2024 plan years, the Bank will seek to originate the following volumes of HMDA-reportable mortgage loans in the defined assessment area of Washtenaw County, Michigan.

Plan Goal 2: LMI HMDA Loans as a percentage (%) of Average Assets in AA (only low- to moderate-income tracts)			
Plan Year	Satisfactory	Outstanding	Tier
2022	5%	6%	1
2023	5%	6%	1
2024	5%	6%	1

Goal Rationale:

Performance Goal 2 builds upon performance Goal 1 to ensure that not only does the Bank extend a reasonable amount of credit to support access to affordable housing to LMI borrowers in the Ann Arbor assessment area, but also to support the goal of supporting geographies (i.e. census tracts) in Washtenaw County that are assigned a low-to-moderate income rating based on census and FFIEC data in order to ensure that persons in historically disadvantaged or less affluent areas of the community have meaningful access to fair and equitable credit products.

Similar to the rationale for Goal 1, we analyzed historic performance of the Bank and the distribution of loans within the assessment area between 2019 and 2020. As discussed in Goal 1 above, the Bank experienced exceptionally high volumes of transaction activity in 2020, which may be in part be attributable to the exceptionally low interest rate environment fostered by the Federal Reserve's permissive interest rate policy. Inflationary concerns and significant market price increases within a wide range of different dwelling types may significantly affect future performance activity in the assessment area. As identified in the Community Needs Interviews discussed above, affordable housing has been identified as the most significant community need in the assessment area; therefore, we believe this plan goal will provide greatest benefit to all persons, including persons located in low to moderate income geographies in Washtenaw County. The following table summarizes historic performance for this goal:

Geographic Distribution of Home Mortgage Loans						
University Bank Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	6.6	6.5	25	7.8	4,367	5.3
2020	6.6	--	56	6.2	9,986	4.2
Moderate						
2019	12.0	12.0	48	15.0	9,248	11.2
2020	12.0	--	102	11.2	19,784	8.3
Middle						
2019	44.7	46.0	134	42.0	33,474	40.4
2020	44.7	--	373	41.1	91,277	38.3
Upper						
2019	36.5	35.2	112	35.1	35,702	43.1
2020	36.5	--	374	41.2	116,323	48.9
Not Available						
2019	0.2	0.3	0	0.0	0	0.0
2020	0.2	--	2	0.2	688	0.3
Totals						
2019	100.0	100.0	319	100.0	82,791	100.0
2020	100.0	--	907	100.0	238,058	100.0

Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

The following table summarizes historic performance of lending in LMI geographies as a percentage of average assets (as of year-end). As indicated within this table, the proposed plan goal is in reasonable alignment to historic performance of the Bank.

Historic HMDA Lending in LMI Geographies as % of Average Assets			
Year	Avg. Assets (000's)	LMI Lending (\$000's)	% of AA
2019	\$ 315,970	\$ 13,615	4.3%
2020	\$ 491,186	\$ 29,770	6.1%

Performance Goal 3: Small Business Lending

Goal Summary: Achieve a percentage of average assets of small business loans originated in the Ann Arbor, Michigan assessment area.

Goal Targets: For the 2022, 2023, and 2024 plan years, the Bank will seek to originate the following percentage of average assets small business loans in the defined assessment area of Ann Arbor, Michigan.

Plan Goal 3: Loans to Small Business Loans as a percentage (%) of Average Assets in AA (annual revenues < \$1 Million)			
Plan Year	Satisfactory	Outstanding	Tier
2022	0.70%	0.84%	3
2023	0.70%	0.84%	3
2024	0.70%	0.84%	3

Goal Rationale:

Small business lending remains a need in the assessment area and the Bank is committed to devoting resources to maintain accessibility to credit for small business entities; however, this goal has received reduced weight in contrast to goals pertaining to improving access to affordable housing based on the results of the independent Community Needs Interviews commissioned by the Bank and the review of assessment area performance context. Goals for small business lending have been established based upon historic performance of the bank and identified community needs. In 2019, the bank originated 100.0 percent of small business loans in the AA to businesses with gross annual revenues (GARs) of \$1 million or less, which significantly exceeded the percentage of businesses within that revenue category. During 2020, the bank originated 74 SBA PPP loans within its AA. These loans did not require the bank to collect the borrowers’ revenue information and are included in the “Revenue Not Available” section of the table below. Excluding the PPP loans, UB originated 81.8 percent of small business loans in the AA in 2020 to businesses with GARs of \$1 million or less. The following table summarizes historic small business lending performance to provide additional context as to the established performance goal.

Distribution of Small Business Loans by Gross Annual Revenue Category University Bank Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	83.3	10	100.0	2,204	100.0
2020	85.2	9	10.6	2,089	27.8
>\$1,000,000					
2019	5.9	0	0.0	0	0.0
2020	5.2	1	1.2	250	3.3
Revenue Not Available					

2019	10.8	0	0.0	0	0.0
2020	9.6	75	88.2	5,176	68.9
Totals					
2019	100.0	10	100.0	2,204	100.0
2020	100.0	85	100.0	7,515	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

The following table describes historic performance of loans to small businesses (with GAR < \$1MM) as a percentage of average assets. As indicated within this table, the proposed plan goal is in reasonable alignment to historic performance of the Bank.

Historic Loans to Small Businesses in AA as % of Average Assets			
Year	Avg. Assets (000's)	SMB Lending (\$000's)	% of AA
2019	\$ 315,970	\$ 2,204	0.7%
2020	\$ 491,186	\$ 2,089	0.4%

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Performance Goal 4: Community Development Loans

Goal Summary: Achieve a percentage of average assets of loans meeting the CRA’s community development definition originated in the Ann Arbor, Michigan assessment area.

Goal Targets: For the 2022, 2023, and 2024 plan years, the Bank will seek to originate a percentage of average assets in the defined assessment area of Ann Arbor, Michigan. Community development loans outside of the defined assessment area may be given consideration and included in these performance goals in the event the program satisfies the following conditions: (1) meets the CRA’s community development definition, and (2) the loan or investment provides a distinct or identifiable benefit to a greater area including Washtenaw County, Michigan. For example, loans or investments in an entity providing a covered benefit to LMI persons located within both Washtenaw County, Michigan and the greater Detroit area may be included for credit under this performance goal.

Plan Goal 4: Community Development Loans as a percentage (%) of Average Assets in AA			
Plan Year	Satisfactory	Outstanding	Tier
2022	0.10%	0.12%	2
2022	0.10%	0.12%	2
2024	0.10%	0.12%	2

Goal Rationale:

University Bank is committed to ensuring that the Bank maintains a strong level of investment in qualifying community development activities in the defined assessment area. In furtherance of this commitment, the plan goals above have been established based on the capacity of the Bank as demonstrated by historic performance in recent years. As indicated in the Goal Targets section of this performance goal above, flexibility in responding to emerging community needs remains a priority for Bank management. For purposes of this Goal, the Plan allows for Community Development activities that originate within the Assessment Area or within the greater Detroit area to be considered for CRA credit provided that the activity outside the Assessment Area has a demonstrable benefit to persons, businesses, or other entities in the Assessment Area. For example, lending to an eligible business in an adjoining county that employs persons in Washtenaw County has a demonstrable benefit not only to that entity’s immediate locality, but also to persons in Washtenaw County. On the basis of this rationale, we believe that a broad definition will incentivize the Bank to pursue additional lending opportunities that benefit the Assessment Area.

Goal targets are in alignment with historic community development lending performance, as indicated by the summary table below and are believed to be a strong commitment to continued community development activities in the assessment area.

Historic Community Development Lending as % of Average Assets			
Year	Avg. Assets (000's)	CD Lending (\$000's)	% of AA
2019	\$ 315,970	\$ 722	0.2%
2020	\$ 491,186	\$ 531	0.1%

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Performance Goal 5: Community Development Investments

Goal Summary: Achieve a percentage of average assets of investments meeting the CRA’s community development definition originated in the Ann Arbor, Michigan assessment area.

Goal Targets: For the 2022, 2023, and 2024 plan years, the Bank will work with Community Partners to develop innovative and complex investments to further meet the needs in the Ann Arbor, MI assessment area. Community development investments outside of the defined assessment area may be given consideration and included in these performance goals in the event the program satisfies the following conditions: (1) meets the CRA’s community development definition, and (2) the loan or investment provides a distinct or identifiable benefit to a greater area including Washtenaw County, Michigan. For example, investments in an entity providing a covered benefit to LMI persons located within both Washtenaw County, Michigan and the greater Detroit area may be included for credit under this performance goal.

Plan Goal 5: Community Development Investments as a percentage (%) of Average Assets in AA			
Plan Year	Satisfactory	Outstanding	Tier
2022	0.50%	0.60%	1
2023	0.50%	0.60%	1
2024	0.50%	0.60%	1

Goal Rationale:

University Bank is committed to ensuring that the Bank maintains a strong level of investment in qualifying community development activities in the defined assessment area. In furtherance of this commitment, the plan goals above have been established based on the capacity of the Bank as demonstrated by historic performance in recent years.

Goal targets are in alignment with historic community development investment performance and are believed to be a strong commitment to continued community development activities in the assessment area. The Bank did not originate any community development investments during 2019 or 2020; however, the Bank originated \$3,125M in investments during 2021. Based on 2020 average assets, this would represent 0.6% of the average assets.

Performance Goal 6: Community Development Donations

Goal Summary: Achieve a percentage of average assets of donations to qualifying entities or causes meeting the CRA’s community development definition in the Ann Arbor, Michigan assessment area.

Goal Targets: For the 2022, 2023, and 2024 plan years, the Bank will seek to make the following donations in the defined assessment area of Washtenaw County, Michigan.

Plan Goal 6: Community Development Donations as a percentage (%) of Average Assets in AA			
Plan Year	Satisfactory	Outstanding	Tier
2022	0.020%	0.024%	2
2023	0.020%	0.024%	2
2024	0.020%	0.024%	2

Goal Rationale:

University Bank is committed to not only providing support for qualifying community development activities through providing access to competitive, equitable, and fair loans and investments, but is also committed to support these activities via direct donation to qualifying entities in the defined Ann Arbor, Michigan assessment area. These donation goals have been established based upon an analysis of average assets, historic performance of the Bank, community needs identified via our independent Community Needs Interviews, and peer performance. During year-to-date 2021, the Bank made donations and grants totaling \$82M. Based on 2020 average assets, this would represent .017% of average assets.

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Performance Goal 7: Community Development Service Hours

Goal Summary: The Bank’s measurable goals for community development services are set forth below. For this plan, the Bank has elected to transition from a goal consisting of a fixed number of required community development service hours per year, to an hours per full-time equivalent employee metric. This transition will align the Bank with the majority of its peer financial institutions and will allow the service hour goal to expand or shrink proportionally with the number of employees available to complete the service. Analysis of peer financial institution strategic plans reflect a range of per employee service hour goals of between 3 and 10 hours for a Satisfactory rating, and between 4 and 12 hours for an Outstanding rating. Management believes the goals established herein are reasonable for a Bank with far fewer employees than other peer institutions reviewed, which have reported employee totals ranging from 35 to 262, against the 23 employed by the Bank as of September 22, 2021 in its Community Banking business unit. The Bank has elected to align with the high end of the service hour goals identified in peer institutions with similar per-employee annual goals. The Bank believes the goals set forth are realistically reachable and maintainable with the current resources and employees available, and with expected organic growth in Bank staffing levels over the next three years of the plan. The Bank’s goals are expressed in terms of the number of hours spent performing qualifying community development services, within the Bank’s Ann Arbor Assessment Area.

Goal Targets: For the 2022, 2023, and 2024 plan years, the Bank will seek to dedicate the following number of full-time Community Bank staff hours toward qualifying community development activities in the Ann Arbor assessment area.

Plan Goal 7: Community Development Service Hours			
Plan Year	Satisfactory	Outstanding	Tier
2022	10 Hours per Full Time Equivalent Employee*	12 Hours per Full Time Equivalent Employee*	3
2023	10 Hours per Full Time Equivalent Employee*	12 Hours per Full Time Equivalent Employee*	3
2024	10 Hours per Full Time Equivalent Employee*	12 Hours per Full Time Equivalent Employee*	3

* Based upon the number of equivalent FTEs employed as of December 31 of the year preceding the beginning of the next Plan Year (e.g. December 31, 2021 for the 2022 Plan Year). See the Glossary for further information.

Goal Rationale:

Access to financial literacy programs and financial education was identified as a significant secondary need based on the independent Community Needs Interviews commissioned by the Bank. In addition, providing expertise to qualifying entities and projects remains an important component of the Bank’s role within the assessment area. In furtherance of this goal, the Bank has established the performance goals outlined above. We believe these service hours will provide a meaningful benefit within the assessment area and are reasonable in relation to historic performance of the Bank, peer performance, and identified community needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five-year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Average Total Assets: End of year average of the total assets represented on the balance sheet. Used as the denominator for performance goals as a percent of average assets. Using the formula published by the FDIC for calculating this value from data provided in the December CALL report, this value will be calculated as follows: **December reporting period** - (Previous December assets + March assets + June assets + September assets + December assets) / 5.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Full-time Equivalent Employee: The calculation of full-time equivalent (FTE) is an employee's scheduled hours divided by the employer's hours for a full-time workweek. For a 40-hour workweek, employees who are scheduled to work 40 hours per week are 1.0 FTEs. Employees scheduled to work 20 hours per week are 0.5 FTEs. For this definition, the total number of FTEs will be determined based upon use of this formula. For example, if the Community Bank business unit employs fifteen full-time employees working a 40-hour workweek and ten part-time employees each working a 20 hour workweek, the number of full-time equivalent employees will be 20 based on the calculation: $[15 \times (40/40)] + [10 \times (20/40)] = 20$. For purposes of this calculation, part-time employees hours may be approximated and rounded to a representative figure based on employee schedules in effect at the time the total number of FTEs is to be calculated.

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Income Level – Geography: The income rating of a geography, defined as a tract in which:

Low-Income — Median family income less than 50 percent of the area median income

Moderate-Income — Median family income at least 50 percent and less than 80 percent of the area median income

Middle-Income — Median family income at least 80 percent and less than 120 percent of the area median income

Upper-Income — Median family income at least 120 percent of the area median income

Income Level – Individual: The income rating of an individual natural-person borrower, defined as income that is:

Low-Income — Less than 50 percent of the area median income

Moderate-Income — At least 50 percent and less than 80 percent of the area median income

Middle-Income — At least 80 percent and less than 120 percent of the area median income

Upper-Income — At least 120 percent of area median income

LMI: Low-to-moderate income. A term indicating the borrower or tract falls within the low or moderate income definitions detailed above.